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SUBJECT: OMAN'S TEXTILE INDUSTRY CONTINUES TO SHRINK

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[1](#)B. 05 MUSCAT 1463

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SUMMARY  
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[1](#)1. (U) Oman's textile industry continues to wither away in terms of value and employment, as government statistics confirm a steep drop in production over the past year. While the upcoming implementation of the U.S.-Oman Free Trade Agreement (FTA) may stop further declines in this sector, it is unlikely that Oman's textile industry will return to levels prior to the abolition of the quota system. End Summary.

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GRIM FIGURES  
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[1](#)2. (U) Responding to reftel request, the Ministry of Commerce and Industry has provided the following statistical information regarding Oman's textile and apparel industry for 2005:

Gross industrial production (including oil products): \$6.5 billion  
Export of textiles and apparels: \$59.8 million  
Ratio of textiles and apparels to total exports (excluding oil exports): 1.1%  
Ratio of textiles and apparels to total imports: .68%  
Manufacturing employment: 36,743  
Employment in the textile and apparel industry: 1,809

[1](#)3. (U) These statistics confirm a sharp decline in Oman's textile industry over the past year. In 2005, textile and apparel exports shrank approximately 44% from the \$137.1 million figure reported in 2004. Employment in the textile and apparel industry likewise continued its steady decline. In 2001, we reported that 4,625 were employed by the textile industry, comprising 13.5% of the manufacturing workforce. For 2005, that number declined to 1,809, which now constitutes only 5% of the manufacturing workforce.

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HOPE FOR A RENAISSANCE?  
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[1](#)4. (SBU) In an October 16 speech to the Omani Journalist Association, Minister of Commerce and Industry Maqbool bin Ali Sultan noted that the FTA holds out hope in reviving an industry decimated by the abolition of the quota system, given that almost all of Oman's garments were exported to the

United States. Omani textile manufacturers are not optimistic, however, that the upcoming implementation of the FTA will stop the decline. Tore Petre, Chief Executive Officer of Oman Textile Holding Company (OTHC), noted that the industry, which used to have 32 garment factories in Oman before the quota, now only has four. He remarked that Oman's textile industry "crash landed after the quota system was abolished," and the resulting liquidation of these factories meant that near-term growth of the industry was unlikely, even with the FTA. He questioned the need for the restrictions on textile imports under the FTA, remarking that his company was the only one in Oman that actually produced fabric. With its capacity of only 5 million square meters per year, Petre predicted that his company's impact on the U.S. market would be negligible. OTHC does not currently export to the United States, given the fierce competition and high tariff rates, but Petre mentioned that he would consider niche fabric exports to the U.S. once the FTA takes effect.

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